

# Single Family Housing Direct Loans - Section 502

Committed to the  
future of rural  
communities in  
California

United States  
Department of Agriculture  
Rural Development  
California

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Committed to the future of rural communities.

USDA Rural Development is an equal opportunity Lender, Provider and Employer. Complaints of discrimination should be sent to USDA Director, Office of Civil Rights, Washington, D.C. 20250

**Offering 100% financing and no down payment, the Section 502 Direct Loan Program provides affordable housing for low income families.**

## WHO IS ELIGIBLE

USDA Rural Development's Section 502 direct loan program provides loans in rural areas to finance affordable home and building sites. To locate eligible rural areas in California visit:

**<http://eligibility.sc.egov.usda.gov/eligibility/mainervlet>**. Eligible towns are generally less than 25,000 in population and not part of an urbanized area.

## USE OF FUNDS

Homeownership funds may be used to purchase, build, improve, repair or rehabilitate rural homes and related facilities and to provide adequate water and waste disposal systems. Homes may be built on individual tracts or in subdivisions. Funds may also be used to modernize homes – add bathrooms, central heating, modern kitchens, and other improvements such as driveways and foundation plantings. Borrowers may buy an existing home or lot or buy a site on which to build a home.

## WHO MAY BORROW

Home ownership loans are offered to help families or persons with low and very low income. They must be unable to obtain a loan from other sources on terms and conditions that they can reasonably be expected to meet; have sufficient income to pay house payments, insurance premiums and taxes, and necessary living expenses (Persons with inadequate repayment ability may obtain co-signers for the loan); possess legal capacity to incur the loan obligation; possess the ability to carry out the undertakings and obligations required in connection with the loan.

## TERMS AVAILABLE

Loans may be made for up to 100 percent of the appraised value of the site and the new home if construction inspections were made by Rural Development or other parties authorized by Rural Development. Homes over 1 year old and improvements to them also may be financed with 100% loans. Maximum repayment period is 33 years and, under certain conditions, 38 years. Maximum repayment period for manufactured homes is 30 years.

## WHO DETERMINES ELIGIBILITY

Area office staff determines the eligibility of applicants.

## SIZE / DESIGN OF HOMES

Homes will be modest in size, design and cost but adequate to meet family needs. New homes average about 1,200 square feet of living area. Cost and design vary in different areas of the country.

## FUTURE REFINANCING

Rural Development loans make it possible for families of low and very low income to become owners of adequate homes. When the financial position of the borrower improves so that the loan can be refinanced through a commercial lender, the loan contract provides this shall be done.

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## ADEQUATE LOCATIONS

Houses will be located in desirable sites with an assured supply of safe drinking water and suitable arrangements for sewage disposal. In subdivisions, the houses will be sighted in an attractive manner to avoid straight-line monotony and to accent and preserve the natural advantages of topography, trees and shrubbery. The streets, water and waste disposal systems shall meet Rural Development requirements. Funds may be included in the loan to finance lawn seeding and landscaping measures that beautify the home and make it an attractive addition to the community.

## CONSTRUCTION PLANS/SCHEDULE

Plans will be reviewed by Rural Development and construction, as it progresses will be inspected by Rural Development. Construction can start when a borrower obtains a loan to build or improve a home. The loan must be closed before construction starts or debts incurred for material or labor.

## SECURITY REQUIREMENTS

Each loan will be adequately secured to protect the government's interest. A loan of more than \$7,500, and any loan to be repaid in more than 10 years, will be secured by a mortgage. A loan of not more than \$7,500 scheduled for repayment within 10 years may be secured under certain conditions by a promissory note.

For more information, or to speak with Rural Development staff, call or visit the USDA Rural Development office near you. For a list of our offices throughout California, visit our website at: **[www.rurdev.usda.gov/ca](http://www.rurdev.usda.gov/ca)**.

You may also contact the USDA Rural Development California State Office at **530-792-5800** for help in finding an office near you.